



# PRIMER



Volume XII, Number II

Indiana State Teachers' Retirement Fund

Summer 2001

## 2001 Session of the Indiana General Assembly Results

The 2001 Session of the Indiana General Assembly drew to a close with the passage of a new biennial state budget on April 29, 2001. Several of the Fund's laws were changed by acts passed during this session. The major issues that were addressed by the legislature are cited below with a corresponding article explaining the changes. Any questions concerning these provisions should be directed to the Fund's Member Service Center, available by calling toll-free at (888) 286-3544.

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## Quarterly Reallocation of the Annuity Savings Account

**Effective Date: January 1, 2002  
Provision: 2001 House Enrolled Act 1815**

Starting January 1, 2002, members of the Teachers' Retirement Fund will be able to reallocate the proceeds of their annuity savings account on a quarterly basis.

The provision gives the Fund's Board of Trustees the ability to shorten this frequency period through a resolution. In the future, the Fund hopes to offer our members the ability to reallocate their monies as frequently as desired. Planning for the technological needs to achieve this goal has already started.

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# Legislative

## ***Cost of Living Adjustment and Thirteenth Checks***

**Effective Date: July 1, 2001**  
**Provision: 2001 House Enrolled Act 1815**

All members who retired or were disabled prior to July 1, 1999, will receive a one-percent (1%) cost of living adjustment to the pension portion of their retirement benefit. No cost of living adjustment was approved for fiscal year 2002.

The Indiana General Assembly approved the distribution of "Thirteenth Checks" on both November 1, 2001 and November 1, 2002. The amount of the check is determined by a specific formula expressed in the adopted provisions.

## ***Purchase of Military Service Credit***

**Effective Date: July 1, 2001**  
**Provision: 2001 Senate Enrolled Act 107**

Active members who retire after June 30, 2001 may purchase up to two years of military service credit at actuarial cost if it is not otherwise granted under previous military service credit law.

This provision means that active members who served for at least one year in the United States Armed Forces and were honorably discharged prior to enrolling in college may purchase military service credit at actuarial cost. Any active member seeking to purchase military service credit under this provision must have ten years of creditable service to vest in the Teachers' Retirement Fund.

Please note that this provision only applies to members of the Fund who retire after June 30, 2001. Contact the fund for Military Service Credit Forms.

## ***Voluntary Contributions to the Annuity Savings Account***

**Effective Date: July 1, 2001**  
**Provision: 2001 Senate Enrolled Act 107**

A portion of 2001 Senate Enrolled Act 107 clarified the legislative intent behind the voluntary contributions to annuity savings program. Active members have the ability to contribute up to ten-percent (10%) of their compensation per payable period.

These voluntary contributions are taxed differently than the mandatory three-percent employee contribution required of all active members. The voluntary contributions are "post-tax," meaning that these contributions are taxed prior to their addition to your annuity savings account. The earnings from these voluntary contributions are tax deferred until their distribution. The Fund is still waiting on the Internal Revenue Service to determine whether the voluntary contributions may become "pre-tax", if picked up by the employer. As more information becomes available, it will be reported in the *PRIMER*.

Any active member who desires more information about this program should contact their payroll administrator and ask for the form prepared by the Teachers' Retirement Fund. Payroll administrators may contact the Fund's Member Service Center for additional forms by calling toll-free at (888) 286-3544.

## ***Fund Records Confidential***

**Effective Date: July 1, 2001**  
**Provision 2001 Senate Enrolled Act 107**

Fund records of individual members and membership information are confidential, except for the name and years of service of a fund member. Generally, a member's individual record may only be released to the member, personal representative of the member's estate, attorney-in-fact, or by court order.

## ***Fund Employees become Fund Members***

**Provision: 2001 Senate Enrolled Act 107**

Employees of the Teachers' Retirement Fund become members of the Fund. This measure was adopted to provide Fund employees with a greater sense of morale and purpose while serving our membership.



# Update

## ***New Earnings Limitation on Retirees Younger than Age 65 Working in a “Covered” Position***

**Effective Date: July 1, 2001**  
**Provision: 2001 Senate Enrolled Act 107**

Starting July 1, 2001, retired members who are under the age of 65 and reemployed in a “covered” position will have a fixed earnings limitation of \$25,000 calculated on a fiscal year for Teachers’ Retirement Fund employees and calculated on a calendar year for Public Employees’ Retirement Fund employees. A “covered” position is one that is covered by either the Teachers’ Retirement Fund or the Public Employees Retirement Fund.

Retired members who are already reemployed will **not** be “grandfathered” in under the older provision. In addition, all retiring members must wait at least ninety (90) days after their date of retirement before returning to service in a covered position to receive a pension benefit.

If a retired Teachers’ Retirement Fund member under the age of 65 earns more than \$ 25,000 in a fiscal year, their retirement benefit from the Teachers’ Retirement Fund will be stopped for the remainder of the fiscal year. [The benefit will resume at the beginning of the next fiscal year and continue until the \$25,000 earnings test is met for that fiscal year.]

Retired members who are reemployed in a covered position may earn a second retirement benefit for their service during reemployment. This benefit would be added to the original retirement benefit at the time of re-retirement.

The \$25,000 earnings test does **not** apply to retired members who are age 65 or older, or to a retired member who is reemployed by the Indiana Department of Education.

The employer’s mandatory contributions are to be made throughout the entire period of reemployment regardless of whether or not the employee’s retirement benefit has been suspended. The mandatory 3% employee contribution is only required to be made during the period that the employee’s retirement benefit has been suspended.

Any questions about this fixed earnings limitation should be directed to the Fund’s Member Service Center, available by calling toll-free (888) 286-3544.

## ***Direct Deposit Payments to a Revocable Trust***

**Effective Date: July 1, 2001**  
**Provision: 2001 Senate Enrolled Act 107**

Effective July 1, 2001, retired members can begin having retirement benefit payments transmitted electronically to their revocable trust via direct deposit.

In order to process your application for direct deposit, the trust must be revocable by the member and the member must have the ability to access the funds without condition at any time. The payee designation on the application must be “member’s name”, Revocable Trust. (Example- Jane Doe, Revocable Trust)

In order to ensure compliance with state law, a copy of the trust instrument must be submitted with the direct deposit application.



# Frequently Asked Questions and Answers



## ***Unfunded Accrued Liability drops \$200 Million***

For the first time in the history of the Indiana State Teachers' Retirement Fund, the unfunded accrued liability has been reduced by \$200 Million. The liability, which now stands at \$7.5 Billion, has been aided by the Fund's ability to expand their investments into the equity market.

In 1995, the Indiana General Assembly created the "Pension Stabilization Fund" to assist in the liability reduction effort. Since that time, financial contributions have been made to the Pension Stabilization Fund by the legislature. This entity has been allowed to grow uninhibited because state law prevents access to the Pension Stabilization Fund until the year 2006.

## ***New Annuity Savings Account Alternative***

Effective July 1, 2001, Indiana Teachers' Retirement Fund members who elect a retirement date of July 1 or later may elect to withdraw their non-taxable contributions and leave their taxable contributions invested in the retirement fund for distribution at a later time. This amount is the same as alternative III non-taxable lump sum. This alternative is available in addition to the existing alternatives.

## ***Frequently Asked Questions and Answers***

**Q:** What do I need to bring to my retirement counseling appointment?

- A:**
1. A certified copy of your birth certificate
  2. A certified copy of your co-survivor's birth certificate
  3. An estimate of benefits for those aged 61 and under from the Social Security Administration. *An estimate form will be sent to you before your appointment.*

*Continued next column*

## *Questions Continued*

**Q:** May I call the Fund with my change of address?

**A:** Yes, we will send a change of address form to you. We must have your address change in writing.

**Q:** How long will my retirement appointment take?

**A:** Normally, about 30-45 minutes.

**Q:** May I schedule an appointment during the summer months?

**A:** We do not schedule appointments during the summer months so we can focus on processing the retirement applications for those retiring the current year.

**Q:** When can I schedule an appointment if I plan to retire next year?

**A:** We will resume appointments on October 22, 2001.

**Q:** How early or late in the day can I schedule a retirement appointment?

**A:** Any time between the hours of 7:30 a.m. and 4:00 p.m., Monday through Friday.

**Q:** May I bring someone with me to my retirement appointment?

**A:** Yes

**Q:** Where are you located?

**A:** We are located in the ISTA Building at 150 West Market Street, Suite 300. The building is across the street from the State Capitol Building.



# Indiana Long Term Care Program

By Nancy Taylor

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**EDITOR'S NOTE:** Nancy Taylor is a retired English teacher with over seventeen years of service with the State of Indiana. She currently serves as a Pension Administrator for the Teachers' Retirement Fund.

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One type of financial planning frequently delayed or neglected is the provision for financing long term health care. In 1987, bi-partisan legislation was passed creating the Indiana Long Term Care Program (ILTCP), also called "The Indiana Partnership Program." This action gave Indiana residents a choice between traditional long-term care insurance policies and the Indiana Long Term Care Program (or Indiana Partnership) policies.

**Who needs long term care?** Those unable to care for themselves because of prolonged illness, disability or frailty need long term care. It could be as simple as in-home help with daily activities like bathing or dressing or as specialized as skilled medical attention available in nursing homes.

General population statistics indicate that one-half of all women and one-third of all men reaching age 65 will eventually be a nursing home patient; many will require a short stay for rehabilitation, but others (about 25%) will remain over a year. At a 5% annual growth rate, the average daily cost of nursing home care may increase to \$168.00 by 2008.

Two types of Indiana Partnership policies are now available. Early policies included benefits for both nursing home and home and community care. However, legislation was passed in 1994 to permit a nursing home only policy.

Federal approval was given to the Indiana program in 1991, and the first policies were available in 1993. Beginning in tax year 2000, an Indiana taxpayer who paid premiums for this type of insurance was entitled to a state tax deduction only for premiums paid during the tax year for an Indiana Partnership policy for himself/herself, and a spouse.

Owners of long term care (LTC) policies purchased before January 1, 1997, and meeting certain standards, are qualified for a federal tax break as part of the standard deduction for medical expenses on a federal tax return.

**What are the advantages of a "Partnership Policy" over a traditional Long Term Policy?** The Partnership Policy contains a special state-added feature, "Medicaid Asset Protection." This feature allows Indiana residents to have long term care without being required to spend down their personal savings to \$1,500 to qualify for Medicaid assistance. Assets protected include personal savings, stocks, bonds, certificates of deposit, money market certificates, second homes, the cash value of life insurance, and the assessed value of one's primary home if a person has no spouse. In contrast, Medicaid can recover the value of these assets from one's estate if a person is not covered by a Partnership Policy.

Other advantages are benefits that increase annually to accommodate rising care costs (inflation), insurance agents specifically trained to sell long term care insurance, and the Indiana Long-Term Care Program policies with shorter terms and lower premiums.

Medicare coverage for this kind of long-term care has to meet strict criteria since that plan was not designed to pay long-term care costs. Even if it met the strict criteria, the coverage would be for a time not exceeding three months in a nursing home.

**What about Medicaid coverage?** It would be available only if a person met strict income and asset limits: assets not exceeding \$1,500 and single status.

Individuals outside Marion County may call for a packet of information about the Indiana Long Term Care Program. The packet includes a directory of agents and their phone numbers according to locales served throughout the state. Outside Marion County, please call The Senior Health Insurance Information Program (SHIP) at 1-800-452-4800. Those residing inside Marion County may call 233-3475.

It is possible to schedule a speaker for a group by calling the Indiana Long Term Care Program information line at 317-233-1470. For more information about the Indiana Long Term Care Program, please log on to their website at <http://www.in.gov/fssa/iltcp>.



# Considering Retirement?

Few of the decisions that you will make in your life will affect you in the same manner as those decisions made at your retirement. Hopefully, you have started thinking about your retirement long before you have the Fund's "Application for Retirement Benefits" in hand. As you consider your retirement, the Fund would like to make a few recommendations that will assist you in making your decisions and proceeding through the retirement process.

## Learn about your potential benefit from the Fund

Active members receive a quarterly statement of retirement benefits that provides information about the member's annuity savings account. There are many options for retirement distributions of the annuity savings account. However, members who have vested in the Fund by earning at least ten years of creditable service will also receive a pension benefit from the Teachers' Retirement Fund. It is important for you to know about both of these potential benefit sources and the various options for their distribution. To learn more about this topic, visit our website on the Internet or call our Member Service Center. You should review the "Active Member's Handbook," the "Retiring Member's Guidebook," a pamphlet entitled "Investing Your Annuity Savings Account," and the "Calculator for Retirement Benefits" form.

## Make sure that all of your service is accounted for prior to the time of retirement

The State of Indiana allows members to receive credit for various forms of service beyond Indiana public school teaching service credit. To receive credit for these alternative types of service, you will need to verify the service with the Fund and go through the various processing procedures. It is very important to verify this service well in advance of retirement for two key reasons. First, the verification process requires the assembly of various documents. Often this documentation must be collected from several sources. Delaying the requisition of this documentation could result in the delay of processing your application for retirement benefits. Second, some types of alternative service credit will require you to purchase those years of service credit. Often, one variable used to calculate the actuarial price is your current salary figure. Presumably, your salary will only increase as you gain more experience in your position. If you delay purchasing this service, the result will be a higher actuarial cost for the same year of service than if you purchased it earlier in your teaching career. To learn more about the alternative types of service recognized by the Teachers' Retirement Fund, review the "Active Member's Handbook." This publication is available from our website on the Internet or by calling the Fund's Member Service Center.

## Find out what type of documentation is required to be submitted with your "Application for Retirement Benefits"

When retiring, you will need to produce acceptable proof of birth not only for yourself, but also for a co-survivor. Typically, this step is accomplished through submission of a birth certificate. However, the Fund does accept other forms of documentation if you do not have a copy of your birth certificate. You will also need to produce copies of your last two annual contracts with your employer for salary verification purposes. If you are interested in exploring the "A-4" Option with respect to distribution of your retirement benefits, you will need to provide the Fund with a copy of your estimated Social Security awards at age 62. To learn more about the documentation that must be submitted along with your "Application for Retirement Benefits," please review the "Retiring Member's Guidebook."

## Consider the progressing needs of your retirement

Retirement living is often described in a number of stages. Early in your retirement, you may want to travel on vacations before "settling down" into a routine of living. Late in life, you may need to consider assisted living conditions. Each of these stages has specific financial needs, such as long-term care insurance and supplemental health insurance. Early planning before retirement on how these needs can be met will reduce the level of stress involved during the retirement process.

## Consider meeting with a member of the Fund's Retirement Division

The Fund provides free counseling in our offices for all prospective retirees. While a visit with one of our retirement counselors is not mandatory for a retiring member, it is highly recommended. In a typical retirement counseling visit, the counselor will explain all of the options offered for distribution of your retirement benefits. Even though these counselors cannot advise you on what type of option would best accommodate your desires, they are available to answer any questions that you might have concerning the Fund. If you would like to meet with one of the Fund's retirement counselors, please obtain an estimate of retirement benefits from our offices. In addition, you must schedule an appointment in advance by calling our Member Service Center.



# Consumer Alert!

## Consumer Alert!



All of us are at risk of becoming the victim of a con artist. Con artist by definition is *one who swindles, cheats or defrauds*. If you have information about the most common scams, it is easier to avoid becoming a victim. The Consumer Alert section of the *Primer* will keep you informed about the latest and most common scams.

### Equity Stripping

You need money. You don't have much income coming in each month. You have built up equity in your home. A lender tells you that you could get a loan, even though you know your income is just not enough to keep up with the monthly payments. The lender encourages you to "pad" your income on your application form to help get the loan approved.

This lender may be out to steal the equity you have built up in your home. The lender doesn't care if you can't keep up with the monthly payments. As soon as you don't, the lender will foreclose-taking your home and stripping you of the equity you have spent years building. If you take out a loan but don't have enough income to make the monthly payments, you are being set up. You probably will lose your home.

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One of the five options in the Annuity Savings Account is the Guaranteed Fund. Many people don't realize that up until 1988, there were no options. ALL contributions to the Annuity Savings Account were placed in the Guaranteed Fund. Legal changes in 1988 produced two additional options (Bond Fund and Money Market Fund); however, legal constraints prevented investments in anything but fixed income. Further legal changes in 1996 allowed equity choices (S&P500 Index, Small Cap, International). Through all of this, the Money Market Fund eventually dropped out of existence while the Bond and Guaranteed Fund remained with us.

The Guaranteed Fund is composed of 90% fixed income securities and 10% equity securities (S&P500 Index). It is a "stable value" fund. It is managed so that the return is very consistent year to year. The volatility is therefore extremely low. The crediting rate is set annually by the Board of Trustees. The crediting rate for the fiscal year ending June 30, 2001 is 7.75%. This past May, the Board set the new crediting rate for the fiscal year ending June 30, 2002 at 7.50%. This .25% reduction reflects lower fixed income rates as well as the lagging stock market.

From a risk standpoint, the Guaranteed Fund is actually very attractive. The long-term return for stocks are about 10%, and the long-term return for fixed income is about 5%. A model portfolio of 50% stocks and 50% fixed income would therefore have an expected return of 7.50%. This is exactly what our Guaranteed Fund will be paying, but with no risk to the member. Regardless of what the markets do, this rate will be paid. Historically, the Guaranteed Fund's compound annual crediting rate has been 8.90% for the last 10 years and 8.20% for the last 5 years. Again this is with no risk to the member.

Finally, we had yet another legal change as a result of the recent 2001 legislative session. As of January 1, 2002, IC5-10.2-2-3(e)(1) will allow members to change their options *every* quarter if they so choose. Currently, a member has the *opportunity* to change once a quarter; however, once made, the member must wait 12 months before changing again. Again, the new law allows a member to change *every* quarter beginning January 1, 2002.

## CONTACTING YOUR FUND

You can find out about the following at our main numbers:

**(317) 232-3860 / Toll-Free (888) 286-3544**

- ✓ Benefits Checks Deductions
- ✓ Benefit Check Health Insurance Deductions
- ✓ Counseling
- ✓ Death Reports
- ✓ Direct Deposits
- ✓ Lost Checks
- ✓ Service Credit
- ✓ Withdrawals

### **Other Services:**

Investments..... (317) 232-3868  
TDD/TTY..... (317) 233-3306  
Director's Office... (317) 232-3869  
FAX Number..... (317) 232-3882

Visit our site on the World Wide Web at:  
<http://www.state.in.us/trf>

You can send our office an electronic mail message at: [trf@state.in.us](mailto:trf@state.in.us)

## **Indiana State Teachers' Retirement Fund**

150 West Market Street, Suite 300  
Indianapolis, IN 46204-2809

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## ***Board of Trustees set new rate for Guaranteed Fund***

**E**ffective July 1, 2001, the annual rate of return for the Guaranteed Fund will be reduced .25% to 7.50% per annum. The Fund's Board of Trustees determined this change at their April 2001 meeting. The Guaranteed Fund is the only investment option that ensures a quarterly return and does not involve investment risk. Since the inception of the alternative

investments, the Guaranteed Fund's rate of return has been favorable on a comparative basis. Anyone with questions concerning the Guaranteed Fund should review the pamphlet entitled "Investing Your Annuity Savings Account," available from the Fund's website or by contacting the Fund's Member Service Center.

## ***Volunteer Opportunities with the Indiana State Museum***

The Indiana State Museum offers many educational, outreach, and volunteer opportunities. Volunteers who would like to help to preserve and interpret our Indiana heritage are greatly needed. Three volunteer programs especially highlight these opportunities: Covered Wagon, Wednesday Morning Workshops, and Gallery Interpreters. Covered Wagon volunteers are provided with training and a kit to share presentations in their community about pioneer life in Indiana. Wednesday Morning Workshops are from 9 a.m. to 1 p.m. every Wednesday at the Museum during the school year, and training is provided. Gallery interpreters are supplied with written and oral training and mentors. Volunteers are invited to be part of history in the making as the Indiana State Museum prepares to move to the White River State park area with a grand opening in the Spring of 2002! For more information, please contact Debbie Specht, Volunteer Coordinator at (317) 232-8351 for details.

The *Primer* is published by the Fund to update members on Fund news and to give general information about Fund benefits. Specific information is available in the Active Member's Handbook, the Retiring Member's Guidebook or by contacting the office.

Director: Dr. William E. Christopher

Newsletter Editor and Designer: Felicia Clark-Culbertson

Newsletter Printer: Personix – Another Fiserv Resource